



November 23, 2009

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Accounting for Financial Guarantee Insurance Contracts and Amendments to FASB Interpretation No. 46(R) - FASB Agenda Request

Dear Mr. Herz:

MBIA Inc. ("MBIA"), together with its consolidated subsidiaries, operates the largest financial guarantee insurance business in the industry. We are concerned that by implementing Statement 167, *Amendments to FASB Interpretation 46(R)*, which may result in the consolidation of non-performing insured structured finance transactions, which would have the effect of obscuring the loss reserve accounting (in *Accounting For Financial Guarantee Insurance Contracts*, codified within ASC 944 – Financial Services - Industry) that the FASB recently adopted and which our industry implemented in the first quarter of 2009. Not only would users of our financial statements be confused by another major change to our accounting so soon after that adoption, but we believe the proposed accounting will be less useful to investors. We believe that the current financial statement presentation and disclosures required within the ASC 944 Topic provides investors, analysts and rating agencies with the ability to understand the loss potential, premiums earned profile and risks of our insured portfolio.

Given the joint projects of the FASB and IASB on *Insurance Contracts and Consolidations: Policy and Procedures* that may include financial guarantee insurance contracts within the scope of the projects, we respectfully request that the Board defer adoption of SFAS 167 and add to its agenda a project to consider alternatives. A deferral of the guidance in SFAS 167 with respect to financial guarantee insurance contracts and insured credit default swaps is recommended to provide an opportunity for the FASB to consider the accounting principles resulting from the *Insurance Contracts and Consolidations: Policy and Procedures* projects. If SFAS 167 is not deferred for these items, there is a significant risk that, for the same arrangement, we will apply ASC 944 for four quarters, SFAS 167 for a year or two, and then the new accounting principles resulting from the FASB and IASB joint deliberations on these projects.

The reasons for our request are:

A. The guidance around financial guarantee insurance contracts within ASC 944 was recently developed specifically for our industry and provides an appropriate framework for understanding our insurance business.

1. When insured obligations are performing adequately, the only imprint they make on our financial statements are the recognition of premium income and the amortization of deferred premium revenue and unearned premium liability. When transactions deteriorate to the point at which the expected value of claim payments exceeds the remaining unearned premium, we record as loss reserve the excess of the expected future payments over the unearned premium. We believe this approach is appropriate for an insurance business. The notional value of insured obligations is supplementally disclosed.
2. We adopted the guidance on financial guarantee insurance contracts within ASC 944 in 2009 at great expense in both time and money and we don't believe adopting a new, less transparent standard will add value to investors.
3. FAS 167 would require that we consolidate billions of dollars of assets and liabilities. To the extent we expect to make claim payments, those payments would not be directly measured in a manner consistent with the requirements of ASC 944 – in most cases the assets would be subject to the Other-Than-Temporary-Impairment rules, which we believe is a less disciplined standard for determining impairment than ASC 944. In addition, it would bring to three the number of different approaches to insured loss estimation in our income statement, based on "form-over-substance" categorizations.

B. Feedback from users of our financial statements suggests that recent accounting changes have reduced the clarity of our GAAP financial statements, and that investors are increasingly relying on our statutory financial statements to measure the premium revenues, investment income, loss and loss adjustment expense and other elements of our insurance businesses. We believe that the elimination of insurance accounting loss reserves, premiums earned and related disclosures as a result of SFAS 167 implementation will only further reduce the usefulness of our GAAP financial statements. An insurance contract that in substance guarantees payment of principal and interest on insured obligations might result in one of three different accounting and reporting treatments, depending on its form:

- i.) A financial guarantee insurance contract according to ASC 944;
- ii.) An insured credit default swap, that is in substance a financial guarantee insurance contract, according to ASC 815-10; and
- iii.) A guarantee contract or credit default swap where the issuer of the insured obligation is deemed to be a consolidated VIE according to SFAS 167.

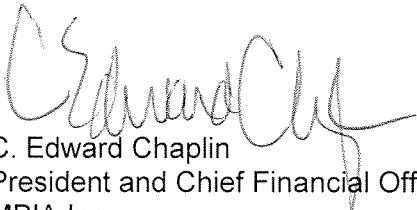
C. An outcome of this implementation process may result in significant consolidation of assets and liabilities and a corresponding elimination of significant financial guarantee insurance or derivative fair value accounting and related disclosures. In our view, this outcome would significantly reduce the transparency of financial statement presentation and provide less decision useful information to investors. For example, MBIA would continue to maintain financial guarantee insurance accounting for our statutory financial reporting, however for certain insurance contracts the accounting for premium revenue and loss reserves and related disclosure information would be eliminated and replaced by consolidation and subsequent accounting for assets, liabilities and noncontrolling interests using different recognition and measurement accounting principles.

We strongly urge you to add a project to the FASB's agenda to defer SFAS 167 for the financial guarantee insurance industry and deliberate it as part of the *Insurance Contracts* or the *Consolidations* joint projects with the IASB because not doing so will not only result in the aforementioned consequences, but most importantly result in confusing the investors.

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Thank you for your consideration of these issues. Should you have any questions about our letter, please do not hesitate to contact Huy Tran, Deputy Controller and Managing Director of Accounting Policy Group at (914) 765-3557.

Sincerely,



C. Edward Chaplin
President and Chief Financial Officer
MBIA Inc.



Huy Tran
Deputy Controller and Managing Director of Accounting Policy
MBIA Inc.